Shinhan Securities

Before you invest, ask us!

Hai An Transport JSC.

04/22/2021

Ticker	**HAH**
RATING	**BUY**
Current price (VND)	**23,050**
Target price (VND)	**29,842**
Upside	**29.5%**

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COMPANY INFORMATION

Industry	Industrial Transportation
Stock Exchange	HOSE

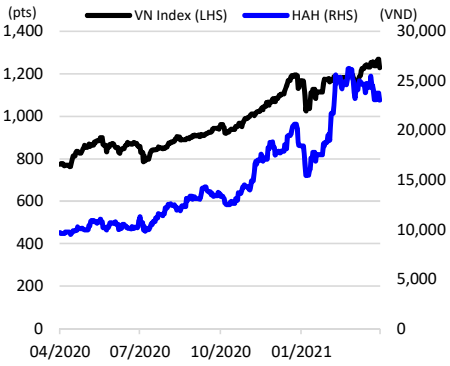
STOCK TRADING DATA

VN INDEX	1,228
Market Cap. (bn VND)	1,092
Outstanding Shares (1mn)	47
Free Floating Shares (1mn)	31
52-week High (VND)	26,800
52-week Low (VND)	9,580
Avg. Trading Volume (mn)	1.3
Avg. Reading T/O (bn VND)	29

HAH's PERFORMANCE VS VN INDEX

(%)	3M	6M	12M
Absoulute	24.9	69.5	122.7
Relative	19.5	38.7	62.6

STOCK PRICE PERFORMANCE



INVESTMENT THESIS

1. Core Businesses: Port operation, feeder vessel operation

2. Business Position: No.2 in capacity of domestic feeder vessels in Vietnam (owning 7 container ships with a total carrying capacity of 8,200 Teus, mainly operating the Hai Phong - Vung Tau route)

- Competitors: Saigon New Port Corporation, Vinalines Corporation
- Substitutes: Road/Rail freight transport

3. Investment Catalysts

- The vessel operation segment (inland route) has great potential for growth, with: 1) The protective trend of the inland waterway transportation, when foreign ships those wish to operate inland routes are subject to Strictly control, will ensure the market share of the Vietnamese fleet, 2) The Hai Phong - Vung Tau route that the company is operating concentrates on many deep-water sea ports, so the demand for cargo transortation by feeder ships to ICD/inland ports is relatively large, 3) The company plans to expand its vessel capacity, with the purchase of 2 new ships in 2021 and the expected volume of vessel operation will reach 481,750 Teus(+55% YoY).
- From 2021, facing the shortage of empty containers, the company charges an additional surcharge to customers to recover the container, which equal to 15% of the shipping cost. We estimate that the empty container shortage will last through the first half of 2021, whereby the company's average service price for the whole year 2021 will increase by 7% YoY.
- With the port operation (Hai An port) and the logisitic center operation (Pan Hai An center, expected to be put into operation in 2022), we expect these activities will: 1) Generate stable revenue, 2) The company completes their logistics value chain and gets contractsfrom major customers and 3) The company's volume of vessel operation is guaranteed.

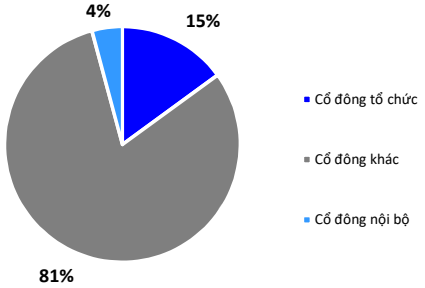
4. Risks

- Price volatility of raw materials (mainly low sulfur fuel oil - LSFO): Currently, raw material costs are accounting for 37% of the total vessel operating cost, and these costs cannot be controlled by the company. In 2021, the LSFO - Singapore bunker price exceeded USD500/ton (20% higher than the average price in 2020) and we expect the average oil price for the whole year will stay at this level, which will reduce the gross profit margin of vessel operation to 12.6%.
- Throughput volume of Hai An port will decline due to fierce competition in Hai Phong area. We believe that this risk is relatively low because: i) Good relationship with major shipping lines (Hapag Lloyd, ONE, etc.), and ii) Domestic fleet development also helps to maintain the volume of Hai An port.

5. Outlook for 2021

We forcast the company's business results in 2021, with revenue of VND1,814 bn (+52% YoY), including: i) VND174 bn (+1% YoY) from port operations, ii) VND1,566 bn (+66% YoY) from vessel operation and iii) VND 75.5 billion (+1.4% YoY) from other activities. The company's gross profit is VND311 bn (+30% YoY) and the parent company's after-tax profit is VND176.8 bn (+27.8% YoY), equivalent to EPS 2021 of VND3,730/share. With target P/E ratio of 8, HAH's target price is VND29,800/share (upside + 29.5%).

SHAREHOLDER STRUCTURE



FINANCIAL INFORMATION

	2017	2018	2019	2020	2021
Sales (bn VND)	**778**	**1,054**	**1,109**	**1,192**	**1,814**
OP (bn VND)	158	158	152	171	205
Operating profit margin	20.3	15.0	13.7	14.4	11.3
NP(1bn VND)	**147**	**135**	**121**	**138**	**177**
Net profit margin	18.9	12.8	10.9	11.6	9.7
BPS(VND)	18,896	19,839	20,658	22,551	22,551
PER(x)	4.9	4.4	5.0	6.5	6.2
PBR(x)	1.0	0.7	0.6	0.8	1.0
ROE(%)	22.4	15.6	11.6	12.6	12.4
EPS (đồng)	3,906	3,065	2,348	2,734	3,730

(*) Database information provided by Bloomberg

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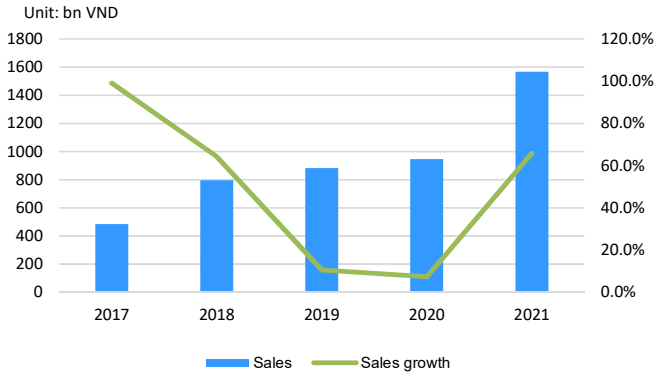
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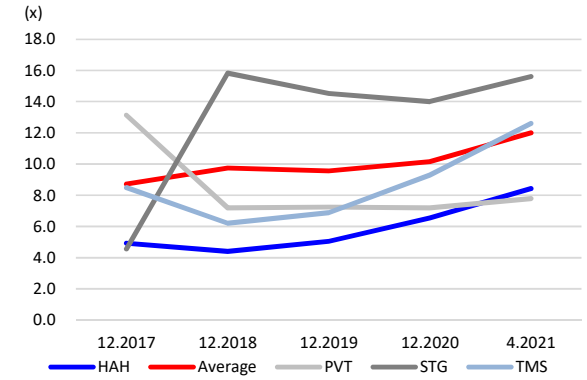
Recommendation History



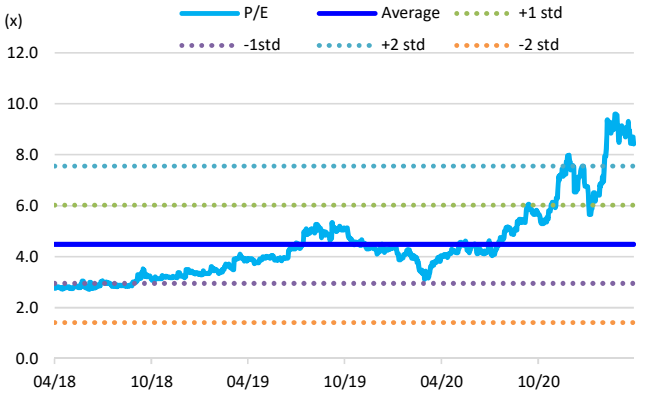
Revenue from vessel operation



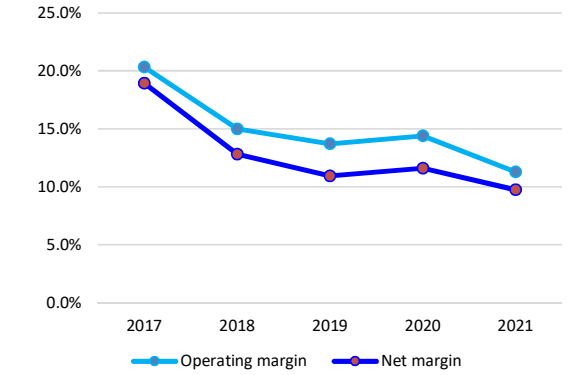
Relative valuation peers' PE



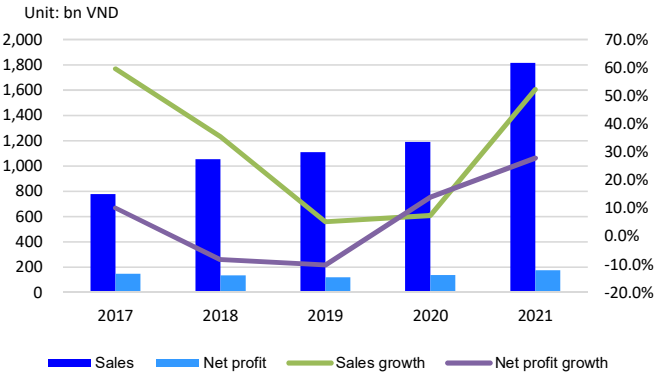
Average P/E 3 years of HAH



Operating and net margin in the past



Revenue - profit in the past



(*) Database information provided by Bloomberg



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